

it's in our nature

Natural. Sustainable. Functional. Nutritional.

Investment in Africa

- A risk worth taking?

Barry Brennan



Introduction

- Brief introduction to Glanbia Ingredients
- The Glanbia Ingredients Focus on Africa
- Our Development story – opportunity and risk
- Some key Learning



it's in our nature
Natural. Sustainable. Functional. Nutritional.



GIIL is Ireland's leading dairy processor



4,300
1.6bn

dedicated farmer suppliers
litres in 2 processing plants



30%
180,000

of total Irish milk production
tonnes of Dairy Ingredients



Revenue 2012
PAT

€695 m
€28.3 m



International Markets 50 countries



it's in our nature
Natural. Sustainable. Functional. Nutritional.



Milk Processing Facilities

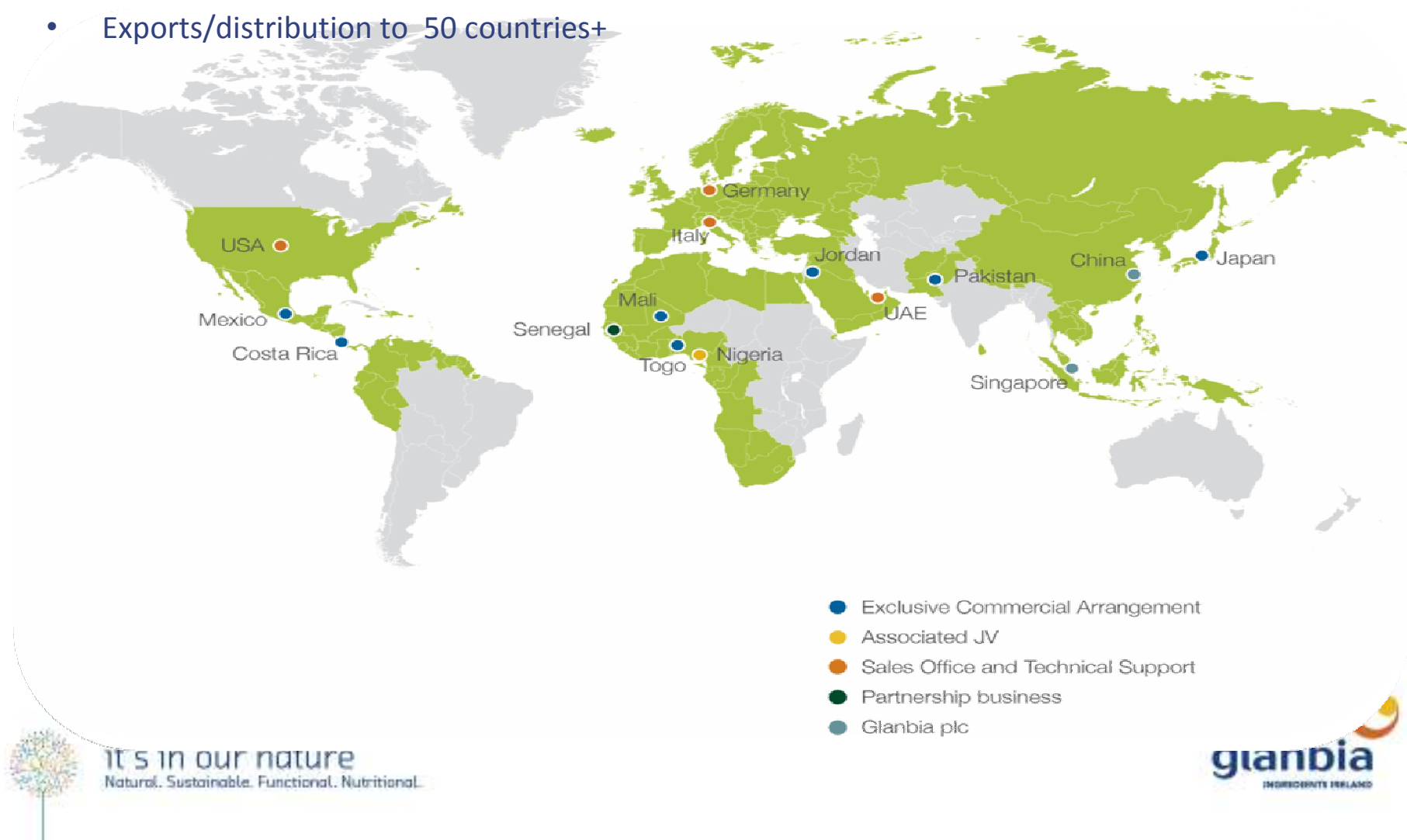


it's in our nature
Natural. Sustainable. Functional. Nutritional.



Glanbia Ingredients Ireland Limited

- Strong global presence in key food markets and sectors around the world
- Glanbia Group Manufacturing and processing in 7 countries, sales / technical support in 14 countries
- Exports/distribution to 50 countries+



Focus on Africa – the Glanbia Ingredients story

- Exporting Milk Powders to the continent of Africa since the mid 1970's
- Primary focus has been on West Africa, Saharan and Sub-Saharan Africa and down the continental west coast.
- Extensive footprint now in place with significant business presence in 15 countries on the continent.
- Commitment -Bricks and mortar investment in both Nigeria and Senegal through local partnerships
- Advancing “Value add” locally via secondary manufacture
- Facing into the next phase of growth in the Irish milk pool post 2014 –
- We will need to increase our exports and Africa remains a primary focus for us.



it's in our nature
Natural. Sustainable. Functional. Nutritional.



The Opportunity in Africa

The opportunity in Africa

More than 50 countries – More than 1 billion people – More than 1,000 languages

- A dairy deficient continent
 - with scope for improvement in output... but with severe challenges...
 - accounting for only 5% of global production
 - dairy consumption increasing by CAGR of 4-5% per annum yet per capita consumption significantly below the required or desired level.
- Population and GDP growth
 - population expected to double between 2010 and 2050 from c 1 billion to 2.2 billion
 - GDP expected to rise by 6% pa over next decade
 - FDI increasing and the impact is tangible on the ground – in 2012 it is expected that FDI has reached \$46b
- Accessibility
 - logistically attractive at circa 30 days to market - though not without challenges
 - improvements in infrastructure very evident but internal distribution remaining difficult.
 - Transactional improvements also very evident especially in the legal and financial arenas



it's in our nature
Natural. Sustainable. Functional. Nutritional.



Our Evaluation approach is simple

- In-depth market knowledge is everything - down to the nuances - get a grip of the culture in particular.
- Markets don't necessarily fall under a single canopy - beware of untested adjacency assumptions
- Talk to the Banks
- Whether it is through people or bricks and mortar – you will need to invest locally if you want to develop long term sustainable value\loyalty
- Investments take time to bear fruit and can therefore be frustrating
 - part of the strategy but not the strategy – long term not quick win
- Customer-centric approach and Consumers Awareness also applicable in developing markets
 - Don't underestimate these consumers who are very discerning



it's in our nature
Natural. Sustainable. Functional. Nutritional.



The Opportunity and the Difficulties in Africa

Strong GDP and
population growth

Significant
improvement in
infrastructure

Emergence of
political stability

Improved
Governance

PACE
Pace of
developments etc

Financial stability
and credit can be
challenging

Cultural not to be
underestimated

Internal Distribution
can be difficult



it's in our nature
Natural. Sustainable. Functional. Nutritional.



Investment



People



Facilities



Distribution



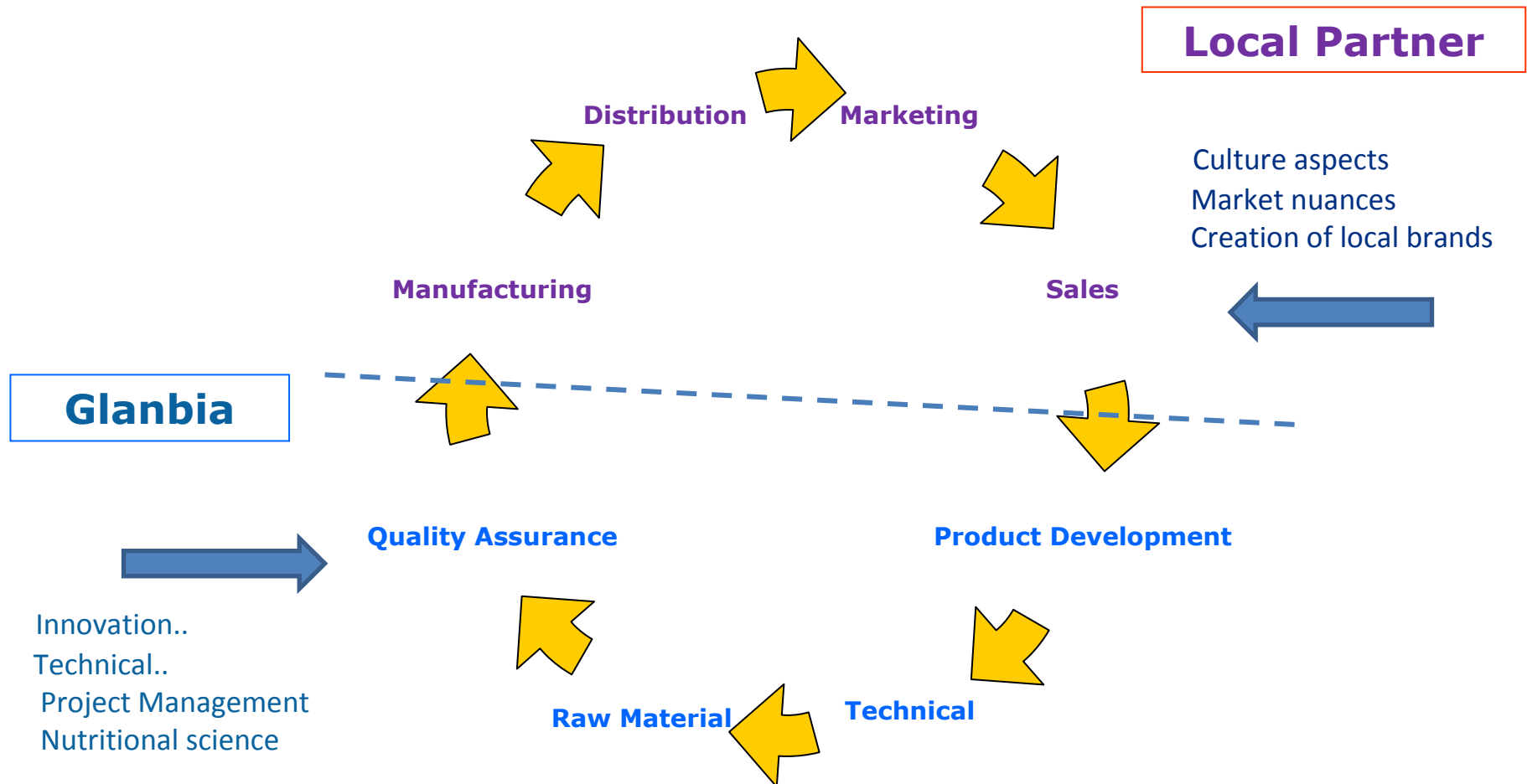
Technology & Innovation



it's in our nature
Natural. Sustainable. Functional. Nutritional.

glanbia
INGREDIENTS IRELAND

The Role of the Partners in our model



To improve the nutritional “Well-Being” of all our consumers by providing safe, high quality, affordable and nutritionally sound products



it's in our nature
Natural. Sustainable. Functional. Nutritional.



The Risks

Risks

- Political Instability
- Economic Instability including currency risks
- Governance issues
- Transactional difficulties
- Bureaucracy
- Availability of critical skills locally
- Managing Entrepreneurship
- Dependence on support services

A risk worth taking?

- Our experience tells us that many of the risks associated with this type of investment are real but can be mitigated
 - it goes without saying that we can never eliminate all risks
- Our analysis also tells us that from our perspective there are few better market opportunities
 - where the number of mouths to feed is increasing
 - the need to improve the population health index is so compelling
- The case is therefore compelling and the lessons are clear – the established players on the ground command great consumer loyalty and most importantly develop an “experience curve” resilience

Summary

- Investment decisions – business case dependent but perhaps viewed through a slightly different lens!
- Beware of “drift” - projects demand intense focus , management and some patience
- Our experience suggests you need a “local trusted partner” who shares your vision and possesses complementary skills
- Banking sector important and generally supportive – use them.
- Seek out those established “once upon a time pioneers” for advice and learning’s
- First mover status has many a pitfall but also many advantages particularly customer loyalty



Thank you